RESEARCH HIGHLIGHTS

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HOUSING NEEDS OF LOW INCOME PEOPLE LIVING IN RURAL AREAS: LITERATURE REVIEW

Introduction

Housing Needs of Low-Income People Living in Rural Areas was prepared for Canada Mortgage and Housing Corporation and the Canadian Rural Partnership. **Research Highlight 116** summarizes the final report which included a review of Canadian statistics and 12 case studies in different parts of rural Canada. This Research Highlight summarizes the literature review.

From the beginning it was understood that many of the concepts applied to shelter and living conditions in urban communities are not always transferable or appropriate in a rural context. Before undertaking their field work, the authors reviewed the literature on housing issues in a rural context. The purpose of the literature review was to identify the types of housing indicators and measures that might be appropriate and to provide an informed approach to the subsequent case studies.

Methodology

Ninety-two documents, studies and publications were reviewed. They concerned issues and challenges facing rural Canada and the United States including economic, social and demographic issues, infrastructure and development issues and housing markets, as well as rural homelessness. There were studies of northern Canada and its unique housing challenges. Some works from New Zealand, Australia and Europe were also studied.

Findings

The Definition of Rural

The first question to be considered was "What is 'rural'?" From a research perspective there are several definitions.

- Statistics Canada defines 'rural' as areas outside of the commuting zone of centres with more than 10,000 population. Small towns are those with fewer than 10,000 residents. By this definition, 22% of the Canadian population lives in small towns and rural areas.
- The OECD defines 'rural' as census divisions where 50% of the population lives at less than 150 persons per square kilometre. By this definition, 31.4% of the Canadian population lives in a rural setting.
- Another way to look at the concept of 'rural' is to differentiate between the people living in rural areas adjacent to metropolitan centres (15% of the population), the people in rural areas that are not adjacent to metropolitan areas (12%) and the population living in remote and northern areas (2%).

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Rural Population and Housing Conditions

The rural population of Canada differs from the population of urban areas in the following ways:

- The rural portion of the population has declined over the last 20 years. (especially in B.C., Alberta, Saskatchewan and P.E.I.).
- Young people are leaving rural areas. Atlantic Canada, Manitoba and Saskatchewan are net losers of rural population aged 15-29.
- The population is aging in many rural communities. In some communities, growth in population consists primarily of retirees.
- In the North, the population is younger, growing and 81% Aboriginal.
- Rural households have lower than average incomes and slightly lower costs of housing than urban households (16% vs. 17% of income). However, they face higher costs of home maintenance and utilities (total of $2467 vs. $1883 annually) and transportation (15% vs. 12% of income).

Rural Communities and Economies

Several studies have described types of rural communities in terms of their economic circumstances. The factors in these typologies include location (near metro, rural, remote and northern), the economic base of the community (resources, agriculture, industry), the stability of the community (boom and bust, or stable) and whether the community is economically growing, stable or declining.

Communities near metropolitan areas and retirement communities are tending to grow while remote communities are in economic decline. The diversity of the economic base tends to decline as one moves farther from metropolitan areas.

Rural economies tend to have higher unemployment and lower participation in the labour force than urban areas. However, they also face less fluctuation with the business cycle. Trade, manufacturing and primary industry employ the greatest number of workers in small towns and rural areas. Agriculture is the predominant economic sector in the three Prairie provinces and P.E.I.

Housing Markets in Rural Areas

Supply

The single detached house with its own services is the typical form of rural housing. Ownership is the most common form of tenure. Eight-two percent of rural and small town residents own their homes compared to 64% of urban residents. A developing trend in some areas is the conversion of cottages into permanent dwellings.

Rental housing in rural areas is often limited in both choice and supply. A study in Atlantic Canada found that 61% of rental housing in rural areas was in the form of single detached dwellings. As well, rural renter households are more likely than urban tenants to be family households.

Two types of housing are more common in rural than urban areas: self built houses and manufactured housing. A 1993 study found that up to 50% of the rural housing stock is contributed by self-builders. However, this is not an option for low income households because of the need for significant cash with which to purchase materials. Only 2% of Canadian households live in manufactured housing, primarily in small towns and rural areas. Manufactured units represent 3% of new housing starts; in the U.S. this figure is 24%. Nova Scotia, New Brunswick and the Western provinces are the largest markets for new manufactured homes.

Twenty nine percent of the rural housing stock in Canada was built before 1941. This results in many homes in need of repair.

Demand

Housing demand in small towns and rural areas is changing as local economies are shifting away from resource extraction and agriculture to other activities. Some are growing, but with a different employment profile. Others are declining. For example, government services are being centralized to larger centres, bringing increased demand to some communities and leaving others with declining populations. Some areas may experience new demand from people in professional and technical fields relocating to smaller communities while others see demand drop as seasonal work becomes less viable.

Demographic changes also affect housing demand. The aging of the population will increase demand for low-maintenance housing with services and amenities. Low birth rates and low rates of household formation mean fewer young families and a decreasing demand for family housing.

Special Challenges in Rural Communities

Barriers to Building New Housing

In small towns and rural areas, private sector builders and developers face several problems. Materials and transportation cost more. Many communities lack both the market and the infrastructure for projects of sufficient size to offer economies of scale. The lower incomes of the residents mean that fewer people can afford to buy or rent new housing, especially if it is significantly more expensive than existing dwellings. Even in areas with stable economies, small developers have difficulties with the costs of carrying out larger projects. Lack of private market capacity reduces the housing options available. The situation is extreme in the North, leaving the public sector with the primary role of funding the building and repair of almost all housing.

For these and other reasons, not only is there a limited supply of rental housing, no new rental housing is being built. This is a problem not only for lower income people, but professional and skilled workers who seek employment in smaller communities are not able to find rental housing. The lack of adequate rental housing for these groups can, in turn, create problems for economic growth.

There are also barriers to affordable manufactured housing. Despite design and performance improvements introduced over the last 20 to 30 years, local regulations often discourage manufactured housing parks and discriminate between site-built and manufactured housing. The U.S. has a more permissive legislative environment in regard to manufactured housing and most states have legislation preventing municipalities from discriminating against manufactured housing.

Affordability Challenges

In both the U.S. and Canada, rural residents of rental housing experience severe affordability problems. In Canadian rural areas, 31% of renter households paid 30% or more of their income for rent in 1991. By 1996 this increased to almost 40% of renter households. In the U.S., one in four rural households was 'costburdened'.

Financing Challenges

If one can afford to purchase a home, obtaining a mortgage in a rural community is more difficult than in an urban area, for several reasons:

- Administrative costs are higher in smaller markets.
- In many markets, the value of the property is less than the cost to build it.
- It is difficult to assign a land value to farms in times of changing agricultural markets.
- In single industry towns, financial institutions are wary of the risk involved if something should happen to that one industry.
- Financial institutions may choose not to provide mortgages for manufactured housing.

A U.S. study found that a rural household is more than twice as likely to be turned down for a mortgage than a metro household would be. In response many rural residents use consumer financing at significantly higher rates to purchase manufactured homes.

Homelessness

In both Canada and the United States there is a growing body of literature on homelessness in rural areas. These are mostly case studies or community plans. A few works consider the larger theoretical context.

Homelessness in rural areas is less visible than it is in urban areas because people who have lost their homes double or triple up or move from place to place. There are few institutional supports, so people rely on family and friends in the community. Local motels also serve as shelters. When they become homeless, some people migrate to urban centres.

Rural homelessness differs from the typical picture of homelessness in cities. Whole families are often homeless in rural areas. They are more likely than their urban counterparts to be employed. They are not likely to be to mentally ill. Rural homelessness is attributed primarily to poverty, economic changes beyond the control of individuals and lack of affordable housing. Poverty in turn has its roots in lower paying jobs in rural areas as energy, farm and manufacturing jobs are lost and replaced with low wage service jobs. In some rural communities, in-migration of wealthier people and 'gentrification' of the housing stock has pushed some local low income people into relative or absolute homelessness.

The North

The North differs significantly from both large urban centres and most other types of rural communities in that:

- The population is younger. There are larger families with higher birthrates. The population is 81% Aboriginal.
- In many northern communities, there is a dual population and a dual economy: a low income, poorly educated Aboriginal community working in traditional activities or receiving assistance and a higher income, better educated group of government workers and employees of resource industries.
- The housing market, as in other rural communities, offers few choices. In the North this lack of choice is extreme, especially for seniors and people with disabilities. There are few options for home ownership and very limited private sector activity.
- There are severe problems of over-crowding and proportionately long waiting lists for housing in many communities.

All northern housing faces the challenges of weather and remoteness. In the high Arctic the shipping cost for a three-bedroom house is upward of $20,000. There is the challenge of infrastructure. One cannot bury pipes in permafrost. In many communities water and sanitary services have to run in insulated aboveground facilities or be trucked to houses. The permafrost and the climate are hard on both foundations and wood frame construction. It is a challenge to control mould or maintain healthy indoor air. The high costs do not stop when the house is built. Electricity and heating bills combined can average more than $650 a month in the NWT. Parts for service or repair have to be flown in.

In response, new technologies have been piloted. These include a healthy house with self-contained off-grid utility systems, houses built with structural insulated panels, and an on-site wastewater reclamation project.

Europe, Australia and New Zealand

Unlike Canada, New Zealand's rural housing market is growing, although there is a similar decline in the young adult population. The Maoris in their traditional communities mirror the problems found in rural Canada: a lack of adequate supply in the housing market and lower incomes among the population.

In Australia economic problems in farming, timber, mining and fishing have resulted in declining rural communities. Like residents of declining resource communities in Canada, many people are facing falling house values with no means of recouping one's capital. This, in turn, makes it difficult to migrate to larger centres. Social and health consequences are becoming evident in these communities.

Many Australian communities would be classed as non-market and depend upon government intervention in some form, as the private sector cannot address problems of affordability, adequacy and overcrowding. This is especially true in Aboriginal communities.

Europe is different. There is no challenge of remoteness or climate. There are areas of marginal or lagging rural economies. Rural areas do experience out-migration of some groups and in-migration of others. This combination of demographic and economic change can mean an increasing need for government intervention in regard to the local population who may no longer be able to afford housing.

Conclusions

The researchers summarized the most important points arising from the analysis of the literature which have an impact on housing as:

> *Demographic issues:* In most rural communities, the population is aging and youth is moving to the cities. In the North and in other Aboriginal communities, the population is young and growing.
>
> *Social and economic indicators:* The growing senior populations have lower income, while working people face unstable employment in weak economies.

Housing conditions, costs, tenure and supply: Many rural dwellings need repair. There is a limited supply of rental housing and few choices in rural markets. Social housing waiting lists are proportionately long. The private sector does not have the capacity to meet complex housing needs. All of the above are extreme in the North where costs are especially high and many dwellings are overcrowded.

Geographic limitations: The North faces challenges associated with location, isolation, transportation, and climate.

Homelessness: The extent and growth of homelessness and near homelessness, and the capacity of formal and informal support networks to address the problem are issues.

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Research report: Volume 1: Housing Needs of Low Income People Living in Rural Areas

Volume 2: Statistical Review, Literature Review, Case Study Report

Volume 3: Case Studies

Research highlight: J.T. MacFarlane

Housing Research at CMHC

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